

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
October 16, 2019
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

Applicant:	Housing Authority of the City of San Diego
Allocation Amount Requested:	Tax-exempt: \$100,000,000
Project Information:	Name: Scripps Mesa Apartments Project Address: 10380 Spring Canyon Road Project City, County, Zip Code: San Diego, San Diego, 92131
Project Sponsor Information:	Name: Scripps AU Owner, LP & Scripps MU Owner, LP (Monarch Essex Scripps GP, LLC and AOF Scripps Mesa LLC (for affordable units) and Monarch Essex Scripps GP, LLC (for market rate units)) Principals: Michael Schall, John Burkart and Angela Klieman for AOF Scripps Mesa LLC; Rodney F. Stone, Ryan E. Stone, William P. Kruer, George T. Kruer and Sarah J. Kruer Jager for Monarch Essex Scripps GP, LLC Property Management Company: Essex Portfolio Management, LP
Project Financing Information:	Bond Counsel: Orrick, Herrington & Sutcliffe LLP Private Placement Purchaser: Bank of America, N.A. Cash Flow Permanent Bond: Not Applicable Public Sale: Not Applicable Underwriter: Not Applicable Credit Enhancement Provider: Not Applicable Rating: Not Applicable TEFRA Noticing Date: June 25, 2019 TEFRA Adoption Date: July 8, 2019
Description of Proposed Project:	State Ceiling Pool: Mixed Total Number of Units: 264 Manager's Units: 1 Unrestricted Type: New Construction Population Served: Family

Scripps Mesa Apartments is a new construction project that will be located in San Diego on a 6.69-acre site. The project consists of a total of 264 units of which 53 will be restricted rental units, 211 market rate units including 1 unrestricted managers' unit. The project will have 90 one-bedroom units, 143 two-bedroom units and 31 three-bedroom units. There will be 1 four-story building, 1 one-story building and 1 one-story STEAM building for San Diego Unified School District. Common amenities will include a clubhouse/leasing center, a fitness center, a dog run, a pool and spa, and indoor/outdoor community gathering spaces. Each unit will have high ceilings, quartz or similar countertops, Euro-style cabinents, stainless steel appliances, tile backsplashes, tile showers, full-size washer and dryers, wood plank-style flooring and balconies. There will be 445 parking spaces provided. The construction is expected to begin March 2020 and be completed in June 2022.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 20%
20% (53 units) restricted to 50% or less of area median income households.
Unit Mix: 1, 2 & 3 bedrooms

The proposed project will not be receiving service amenity points.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 113,457,716	
Estimated Hard Costs per Unit:	\$ 258,589	(\$68,267,598 /264 units including mgr. unit)
Estimated per Unit Cost:	\$ 429,764	(\$113,457,716 /264 units including mgr. unit)
Allocation per Unit:	\$ 378,788	(\$100,000,000 /264 units including mgr. unit)
Allocation per Restricted Rental Unit:	\$ 1,886,792	(\$100,000,000 /53 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 100,000,000	\$ 100,000,000
LIH Tax Credit Equity	\$ 0	\$ 7,690,658
Developer Equity	\$ 13,457,716	\$ 5,767,058
Total Sources	\$ 113,457,716	\$ 113,457,716

Uses of Funds:	
Land Cost/Acquisition	\$ 3,310,153
New Construction	\$ 73,259,666
Contractor Overhead & Profit	\$ 3,692,288
Architectural Fees	\$ 1,642,043
Survey and Engineering	\$ 2,107,957
Construction Interest and Fees	\$ 9,123,739
Permanent Financing	\$ 270,000
Legal Fees	\$ 160,000
Reserves	\$ 1,816,250
Appraisal	\$ 10,000
Hard Cost Contingency	\$ 7,509,572
Local Development Impact Fees	\$ 4,250,000
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 3,306,048
Developer Costs	\$ 3,000,000
Total Uses	\$ 113,457,716

Analyst Comments:

None

Legal Questionnaire:

The Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the application. No information was disclosed to question the financial viability or legal integrity of the Applicant.

Total Points:

41 out of 120 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$100,000,000 in tax-exempt bond allocation on a carryforward basis.

ATTACHMENT A

EVALUATION SCORING:

Point Criteria	Maximum Points Allowed for Non-Mixed Income Projects	Maximum Points Allowed for Mixed Income Projects	Points Scored
Preservation Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	6
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	10
Large Family Units	5	5	0
Leveraging	10	10	0
Community Revitalization Area	5	5	0
Site Amenities	10	10	5
Service Amenities	10	10	0
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	10
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	N/A
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	N/A
Negative Points (No Maximum)	-10	-10	0
Total Points	140	120	41